



November, 1956

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Children's savings clubs
—page 19

THE

Credit Union

Bridge

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.

ON THE COVER

Estes Park, Colorado, high in the Rockies, was the scene of the meeting in which the Credit Union National Association was organized.

The Credit Union

Bridge

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COMING SOON

The tax equality racket
Setting pay rates for credit union employees
Payroll deduction—good or bad?

Information gathered by Allis-Chalmers management started the big investigation. This company now has a highly respected counseling program to reduce garnishments. Carl S. Gibans, right, is chief counselor.



Fighting against garnishments

The city of Milwaukee got all worked up three years ago over the garnishment problem. So far, however, most of the results are due to the work of one credit union and one employer.

THE garnishment problem is enormous. The legal right of a creditor to stop a debtor's paycheck and claim a share of each pay until the debt has been liquidated is probably a social necessity. But in a city like Milwaukee, Wisconsin, today, more than a thousand garnishment cases go through the civil courts each month, one-third of all civil cases. Garnishments work injustice in some instances and hardship in many. They add heavily to the load of courthouse employees, hence to taxes. They involve employers in so much red tape and unpleasantness that some will fire any employee whose pay is garnisheed.

Much of this is unnecessary. It can be eliminated.

One Milwaukee credit union and one Milwaukee employer have done

much to show that the volume of garnishments can be cut from 80 to 90 percent in large typical employee groups.

For years, Cudahy Brothers Credit Union has been operating an amortization plan for its members, whereby garnishments have been reduced to a mere trickle. These are packing house employees, working for one of the nation's leading meat-packing concerns.

More recently, the personnel department of Allis-Chalmers Manufacturing Company set up a program that has reduced garnishments among its employees from more than a thousand in 1952 to less than four hundred in 1955. This is a leading farm machinery company, with a large and varied group of employees.

It was the Allis-Chalmers program

that first brought this subject sharply to the attention of the people of Milwaukee. A study of garnishments made by the Allis-Chalmers personnel department was picked up by the papers in 1952. An investigation resulted, in which for two months witnesses from many organizations and sections of the population told what they knew about the garnishment problem as it affects the entire city. Recommendations were prepared, and the Junior Bar Association offered amendments to the state garnishment and amortization statutes.

But despite all this to-do, the results have been meager. Garnishments have been reduced from 16,128 in 1952 to 14,652 in 1955. Most of the reduction has been accomplished among Allis-Chalmers employees. Elsewhere there has been little or no



Abuses of Garnishment Lead to Plans for Curbs

Small Number of Firms Responsible for Most of Actions; Industry Seeks Changes

By FRANK BURLAGE
Of The Journal Staff

Routine use of garnishment by easy credit firms to collect bills has stirred a movement in industry here to curb the practice.

It is being done by only a handful of retailers. One factory revealed that only eight such merchants account for most of all garnishments.

Garnishment also in small portion of plant.

But it ties up pay-
plicants pay roll some
time of legal status.

It is affecting Ne-
recently arrived on
ratio than whites.

salesmen, abiding
low payments are
them into buying to

A check of big pl-
they get 1,000 to
ments each year.

call on them on

debtors should not be counte-
nanced.

Some victims are garnished 10
to 20 times a year, observers say.

Court costs add 20% to 30% to
Court bills before they are cleared
up. Pay is lost in addition while
taking time off to square things
up.

Mrs. Claire M. Merten, 1333-A
N. 31st st., a collector until she
and her most recent associate got
out in protest against methods
they disapprove, Saturday dis-
closed experiences.

"I gave up my part in a business
that brought in \$4,000 to \$5,000
year in fees for collecting \$300
to \$400,000 for a few accounts,"
said. "I got fed up being a
no-prisoners I didn't like and

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'Garnishment Adds to Relief Report to Committee

The relief load on the county and social agencies would be lightened by curbing routine garnishment of wage earners and the easy credit leading to it, K. C. Flory, Allis-Chalmers Manufacturing Co. industrial relations manager, advised a special Community Welfare Council committee Tuesday afternoon.

The committee, named at the request of industry and labor to investigate alleged misuse of garnishment and to suggest remedies, met at welfare council headquarters, 797 N. Van Buren st. Flory submitted a memorandum digesting discussions with retail credit men, collection agents, labor leaders, personnel managers and social welfare officials.

A substantial portion of victims involved in garnishment by liberal credit shops "appear to be financial incompetents," the report said. They load themselves up with more time payments than their pay checks can stand.

Burden on Community Noted

"The combination of this type individual with careless or unscrupulous retailers is apparently a basis for a never ending series of garnishments," the memo said. "When the worker's check is thus cashed without warning, catch-

Judge Strikes at Garnishing

Shaughnessy Will Not Let Court Be Used to Bring 'Pressure'

Judge William F. Shaughnessy, circuit court calendar judge, said Saturday that he would not permit attorneys to use the circuit court to bring "pressure" on persons involved in garnishment actions.

The practice, he said, has become prevalent since Jan. 1, when the legislature increased the fees in civil court, where most garnishment cases are started.

Garnishments over \$200 used to cost \$4 to start. Since the first of the year the fee has been \$28, the same as in circuit court.

No Payment Needed

In civil court, however, the judge said, the fee must be paid before the suit can be recognized. Under circuit court procedure a garnishment can be started by an attorney. There is no payment of fees until the attorney files the case with the clerk of the circuit

Credit clothing stores accounted for most of the garnishments in Milwaukee as revealed by the 1953 survey. Today, a quick survey by The Bridge shows they are still originating most garnishment actions, but their percentage has been reduced.

The Milwaukee newspapers gave the garnishment investigation a big play. The wide public interest aroused hopes that big improvements would follow. They didn't.



progress. The Allis-Chalmers method is simple: make credit information available to retailers and other credit sources, and insist that these people consult with the personnel department before garnisheeing employees. It has worked dramatically for Allis-Chalmers, but few others have followed the lead.

Here is the kind of thing that has been happening in Milwaukee as well as a hundred other cities. Last fall a wage-earner received a "gift certificate" from a local merchant. Arriving at the store to pick up his present, he was shown a row of fur coats. "Because you are such an excellent credit risk," they told him, "you have been included in a select group who will be privileged to purchase these coats at the special price of \$99. This is our gift for you."

His wife was with him. Christmas was coming. Under the circumstances, what would you expect? The sale was made.

He paid \$2 down and agreed to make weekly payments of \$5. Meanwhile, the retailer held on to the coat, promising Christmas delivery.

One payment missed

For several weeks, the buyer made his payments on time. Then he missed one. The "excellent credit risk" was called into the store and told that he would have to make twice the usual payment during the following week. This he was not able to do. His employer was notified, embarrassing the customer and jeopardizing his job.

All this time, the coat was still hanging in the store. Nevertheless a month later garnishment papers were

served. The action was brought on the grounds that the contract signed by the buyer required immediate payment of the full amount if one payment was missed.

Fortunately, in this extreme case the retailer had overstepped himself. The attorney for the customer argued that the retailer had no right to garnishee, since he had not exhausted all other methods of collecting the debt. With the coat still in the store, this was obviously true, and the court upheld the defendant. Subsequently, the defendant sued the retailer for \$20,000, charging "malicious prosecution," and this case is still pending.

Employers in Milwaukee were disturbed by the volume of garnishments of which this story gives an extreme example. They looked carefully at the Allis-Chalmers report, analyzing more than a thousand garnishments incurred by Allis-Chalmers employees in 1952. Here is what Allis-Chalmers found:

- The bulk of those garnisheed were repeaters—in other words, employees who were garnisheed more than once during the year. About $\frac{1}{2}$ of 1 percent of employees accounted for 40 percent of garnishments. Another 2 percent accounted for the rest.
- New employees accounted for only a minority of garnishments.
- Two-thirds of the employees affected were married.
- The highest rate was among Negro employees recently arrived from the South.

● Eight retailers, virtually all clothing stores, accounted for over 50 percent of the garnishments received. These eight, together with another eight or ten, accounted for the great bulk of all cases where the creditor appeared more than once during the year.

● The big retailers used garnishments very little. For example, one major department store with over 200,000 accounts, garnisheed only 2 of Allis-Chalmers 17,000 employees during the year.

Naturally, the whole city was stirred when this information was released. Quickly, community-wide action resulted. A group of interested organizations set up a Committee on Garnishments, and in 1953 hearings began. The group included representatives from the business community, the credit-granting agencies, labor, social welfare groups and others. Among them were the Better Business Bureau, Junior Association of the Milwaukee Bar, Wisconsin Collectors Association, Industrial Union Council, Social Planning Committee of the Community Welfare Council, Milwaukee Association of Commerce, Case Work Division of the Community Welfare Council, the civil court, the Federated Trades Council, Wisconsin Association of Small Loan Companies, Milwaukee Retail Credit Association, the Milwaukee Bar Association and the Urban League.

Fifteen witnesses were heard. They represented mainly the credit retailers and their attorneys, the small loan companies and finance companies,



Charles E. Lorum holds the first passbook issued by the Cudahy Brothers Credit Union. He has been its president for twenty-five years, and is one of the board who vote an annual expenditure for counseling on garnishment cases.



Floyd A. Fuller, treasurer at Cudahy, worked out his first amortization plan to help a distressed member back in the thirties. At the present time, more than a hundred members are using the credit union's amortization program.

and certain organizations that represented the interests of industrial employees. When the investigation had been completed against a lively background of newspaper headlines, the Committee on Garnishments came up with seven recommendations:

Recommendation 1: The garnishment statute should be amended to provide an automatic exemption (or subsistence allowance) in fixed weekly amounts—for a debtor with one dependent, \$25 to \$30; for a debtor with two dependents, \$30; for a debtor with three or more dependents, \$40. This would give the debtor some money to operate on while his paycheck was held up. It was also recommended that the employer should be made responsible for releasing to his garnisheed employee the exempt amount immediately on pay day, and that there should be a responsibility placed on the court to inform the debtor of his exemption.

The ignorance factor

This recommendation was made because as the Wisconsin statute was working, garnisheed employees had to find out for themselves that they had exemption rights. Employers were holding up the entire paycheck for as long as fifteen days, and many employees did not know that they had a legal right to an exemption.

Submitted to the legislature in its next session by the Junior Bar Association, this amendment was not enacted. However a new subsistence law was passed, supplementing the exemption law. The subsistence law provides automatic and mandatory maximum allowances of \$15 per pay period for single persons and \$25 per pay period for married persons. For employees who earn less than twice this amount, however, the exemption is reduced to half of the earnings. Note the clumsy wording of this law—the exemption is based on the pay period, which means that the single employee who is paid once a month is allowed \$15 a month, while the single employee who is paid once a week has an exemption of \$60-plus!

Recommendation 2: The waiting period between the time the employee's paycheck is stopped and the garnishment becomes final should be reduced from 6-15 days, as at present, to 4-8 days.

Behind this recommendation is the fact that many garnisheed employees were being squeezed by creditors' at-

torneys to make settlement agreements on unfair terms. The pressure on the debtor who has to wait fifteen days for his paycheck is often unbearable in such a situation.

Nevertheless, this recommendation has died without action. Reputable attorneys and court officials agreed that in many cases it would be impossible to process garnishments so fast, and that providing automatic exemptions for debtors would ease the pressure more effectively.

Recommendation 3: The amortization statute should be liberalized. The amortization statute in 1952 provided that any wage earner earning less than \$2400 could ask the court to appoint a third party to handle his debt payments for him. It was recommended that the act be made available to wage earners earning up to \$3600 or \$4500. It was also recommended that wage assignments running for a period equal to the amortization period should be legalized.

The purpose of the amortization statute is to provide distressed wage earners with expert help in reorganizing their debts, through a court-approved third party. As it works out, it isn't much used because attorneys don't feel they can charge as much as the work is worth. However, the principle of the statute is respected, and the legislature in its 1955 session went so far as to raise the financial standard of eligibility to \$3600. It also authorized wage assignments running concurrently with amortization.

No prior judgment

Recommendation 4: Judgment before garnishment should not be required. This is a negative recommendation, upholding the status quo. For years, it has been legal for a creditor to slap a garnishment on a debtor without going to court first and getting a judgment against him. Occasionally this results in unjust treatment of a debtor who didn't know he was delinquent. However, the Committee on Garnishments came to the conclusion that if prior judgment was required, many debtors would skip.

Recommendation 5: No notice by mail should be required to be sent by the creditor to the debtor before garnishment. This is another negative recommendation; the danger of encouraging skips was again persuasive.

Recommendation 6: A 48-hour re-

turn date should not be required. Despite pressure from some champions of the debtor, the proposal to require 48-hour adjudication of all garnishment cases was defeated. The attorneys generally agreed with the court officials that such a requirement was a practical impossibility.

Recommendation 7: There should be no limitation on the number of garnishments for a single debt. Behind the controversy over this recommendation is the fact that a garnishment loses its effect when the employee quits his job. While some friends of the debtor wished to limit the number of times a garnishment could be renewed, the consensus was that a creditor should have the right to garnishee until the debt was paid.

To sum up, after two months of investigation and considerable labor by the Junior Bar, the results have been disappointing. The one achievement that can be called substantial is the fact that a garnisheed employee is now entitled to an automatic subsistence allowance of \$15 or \$25 per pay period.

What results?

Has the garnishment picture in Milwaukee changed since conclusion of the survey and passage of the new legislation?

The majority think there has been no appreciable change. Attorney Herbert A. Eggie, who represented the Junior Association of the Milwaukee Bar during the 1953 study, finds that "the number of repeaters has not gone down." W. Lee Cronin, legal investigator, Milwaukee County Department of Public Welfare, states: "The situation is getting worse now in 1956. The exemption is not large enough; in fact, it is smaller than the relief budget."

Together with Fred A. Erchul of the Milwaukee County Industrial Union Council, Cronin would prefer judgment prior to garnishment. "This would reduce the heavy pressure exerted frequently upon debtors, permit an earlier determination of exemptions and make it impossible for unscrupulous creditors to use the garnishment process to force payment of disputed claims," says Erchul.

Attorney Walter J. Steininger, a witness during the 1953 hearings, states: "I can see no substantial improvement during the last three years. Garnishment is still abused. It

plays too large a role in our credit structure. I find that some credit stores will knowingly oversell customers—if the buyer has a job. A customer may go into one of these stores for a shirt and come out with a suit.

"Here is an actual case," Steinger continues. "A father of seven children with a monthly income of approximately \$300 comes to me with a list of 17 creditors to whom he owes a total of \$1,215. This debt he owes for items which he did not need and soon regretted having bought. He has been oversold."

"No change since 1953," says Attorney Roy Wilson of the Milwaukee Urban League. "People continue to be garnisheed because they do not know how to budget their incomes."

Court records show drop

What do official statistics say? Records in the Civil Court of Milwaukee show 16,128 garnishments filed in 1952; 14,652 in 1955. This means about 10 percent fewer garnishments were filed last year than in 1952, a drop but not a big drop.

The conditions found by the committee included some shocking facts. They showed serious abuse of the garnishment process and willful disregard of the purpose of the garnishment statute.

Here are three cases revealed during the 1953 investigation:

Mr. A's wages were garnisheed. However, he was not the person involved. At the hearing he found out that the plaintiff's attorney had garnisheed everyone with the same name, hoping in this way to reach the right person.

Mr. B. was garnisheed for a long-overdue grocery bill. Unaware of any such bill, he went to see the grocer. The grocer admitted that he did not know him and that the garnishment case was one of mistaken identity. The grocer had sold his delinquent accounts to the attorney who had brought the garnishment action. To straighten out the case and prove that he was the wrong man, Mr. B. was forced to retain legal counsel and bear attorney costs.

Mr. C. purchased a TV set in September. The installments for October, November and December he paid promptly. His January payment was not due as yet. Nevertheless he was garnisheed. He appealed to the credit union in his plant. The credit union

lent him sufficient money to pay off the balance he owed on the TV set so that he would not be the victim of further garnishments. The garnishment became effective on Thursday. Payday was on Friday. Because the court had stopped his wages, Mr. C's family was forced to spend the weekend without any of his earnings. His money was released on Monday.

It is a pleasure to turn from these cases to the stories of Allis-Chalmers and the Cudahy credit union.

What accounts for the drop in garnishment proceedings against Allis-Chalmers employees—from 1,406 in 1952 to 383 in 1955? Mostly, frank dealing with credit sources; also, hard work.

"We were very selfish about this," says A. C. Flory, assistant manager, Industrial Relations Department, West Allis Works. "The disruption of our production schedules and our employees' peace of mind needed to be halted. Garnishments were becoming too costly. We were forced to take action as a matter of self protection."

The first step was to set up a financial counseling program. Its operations followed the assumption that Allis-Chalmers, certain employees and certain retailers equally shared responsibility for the prevailing garnishment situation. Employees were invited to come to the personnel service section for assistance with financial problems and free legal advice. "We told them individually that each of them would get help," says chief counselor Carl S. Gibans, "but that we would fire them if they should persist in throwing their money away on foolishness." Establishment of a complete credit file of all employees followed. Immediate entry of each credit inquiry kept it up to date.

Retailers play ball

Retailers were soon persuaded to call the personnel service section when Allis-Chalmers employees sought credit in their stores. "By cooperating with them and convincing our own credit union as well as the outside loan agencies that it was to their benefit to exchange information freely among each other, we were able to block overloading by the small group of free spenders among our employees. Where necessary, we used disciplinary pressure. Many problem cases were settled by establishing voluntary receiverships with wage assignments," Gibans recalls.

One employee had received 67 garnishments during a single year. Today he is free from indebtedness and saves regularly. "I'm certainly glad the company started this program," is this employee's comment. "We needed it. I know. Without it I would still be in debt."

Dismissal of eight uncooperative debtor-employees during the 3-year period sufficed to convince the small group of overloaders that their employer expected responsible spending habits.

Today Allis-Chalmers' personnel service section is respected by all major credit granting houses in Milwaukee. It enjoys their fullest cooperation. None of these merchants, banks and loan companies would even consider a loan without information from Gibans' staff. Nor would they garnishee an employee whose case could be handled otherwise.

When an employee refuses to meet his obligations after due warning and consultation, Gibans will occasionally suggest to the creditor that he resort to garnishment action. These few cases, together with those brought by small businessmen unacquainted with the Allis-Chalmers program (landlords, physicians and grocers), make up the bulk of the remaining garnishments.

Program well liked

"We value our excellent relations with Allis-Chalmers so highly," says L. A. Kamrath, district supervisor of Thorp Finance Corporation and a participant in the community-wide study of 1953, "that when we recently had a refusal by an employee to settle his balance of \$40, we chose to cancel the debt rather than to trouble Mr. Gibans with a garnishment."

Elsewhere among employers there has been a little progress. Several other Milwaukee area employers now make credit information available to local retail, finance and loan agencies. In each case, garnishments have been substantially reduced.

But, generally speaking, the problem persists. "Most larger employers still refuse to cooperate with us," a Milwaukee loan company representative states. "Because we have no way of knowing about their credit status, employees of these companies continue to be garnisheed. We would very much like to see a reduction of garnishments. They are a big public

relations problem. I think if we could learn a would-be borrower's full credit history before he can over-extend himself, we would be able to nip garnishments in the bud. Our record with the cooperating employers has shown that garnishments cease to be a problem where credit information is exchanged."

But what about credit unions?

One credit union in particular has been conducting a steady battle against garnishments ever since 1935—the Cudahy Brothers Credit Union. At present, 170 out of the credit union's 1,400 members are making monthly amortization payments under the credit union's special plan. This plan costs the credit union hard work and money—it was the first credit union in the Milwaukee area to put an employee to work giving financial counseling to its distressed members. Its board of directors for years has approved substantial expenditures for this rescue program. Thus far, too few credit unions have followed suit.

Credit union breaks the way

In many ways, the Cudahy credit union's methods foreshadowed the methods used by the Allis-Chalmers personnel department.

"Most of the local credit houses and credit attorneys know of our readiness to serve our membership," says veteran treasurer Floyd A. Fuller. "They contact us and we in turn call in the member and arrange for a loan. Where necessary, we set up an amortization plan under payroll deduction. We have the full cooperation of local merchants and are able to save most of our members the hardship and embarrassment of garnishment."

It all goes back to 1935, when one Cudahy member came in with \$1.200 in small bills that were troubling him. He had been garnished. Unable to do his work properly, he asked the credit union for help. "We took all of his check except two dollars," Fuller recalls. "One dollar was for the member, the other for his wife. Then we paid each creditor a small amount each payday. It was a lot of work, but we stuck with it and so did the member. Whenever his family needed clothing or other necessities, he came to the credit union."

What were the results? The member cleaned up his accounts. He saved

(Continued on page 26)

from the **MANAGING DIRECTOR**

The New Program— CUNA and the Leagues

IN the September issue of THE BRIDGE I told you something about the work of the Education Study Committee which drew up a comprehensive educational program to be used by the leagues.

During the past month, three other committees from the leagues have met in Madison to draw up educational materials for leagues that wish to take advantage of the opportunity. Despite the short notice before the initiation of the program, the response from the leagues has been excellent. This work is being financed mainly by the leagues, as they not only furnish the men but pay their traveling and living expenses in connection with the work.

During the week of September 17, the Organization Committee, consisting of Robert Dolan of Michigan, John Hallinan of Ontario, Francis White of Washington, William Smith of Pennsylvania, and Donald MacKinnon of Michigan, met and prepared a study on credit union organization to be used by the movement. This program is broken down into eleven separate parts, which represent the successful experience of separate credit union organizational programs conducted by the leagues.

The following week a committee of managing directors consisting of James M. Barry of Texas, Wayne Bornemeier of Nebraska, Leonard R. Nixon of Connecticut, William W.



Pratt of Pennsylvania, James Hamilton of Kansas, and Albert W. Marble of Michigan, met to study the Cuna-League Operational Services. The two broad questions considered were: 1. What services should Cuna provide? 2. Where does the dividing line fall between services to be rendered by Cuna and by the leagues? These broad questions were discussed in thirteen different fields. J. Orrin Shipe, CUNA Assistant Managing Director, and D. G. Reimer, CUNA representative, worked with this committee.

The Public Relations Committee, consisting of Bill White of Ohio, Tom Landers of the District of Columbia, Lou Segadelli of Michigan, and Ed Boles of Ontario, came to Filene House for the week of October 1 to work out a league public relations program. To most leagues this is a new, unexplored field. Howard Custer and Mary Jean McGrath spent some time with this committee, outlining the present CUNA public relations program.

Due to an inadequate staff and budget limitations, it was necessary for CUNA to call on the leagues for this great contribution to the credit union movement. The big advantage in this plan was to receive the best materials that had been developed and successfully tried out in regard to the different subjects under study, as well as the thinking of the men who actually did the work. One common remark heard at the close of every conference is, "I got much more out of this conference than I put into it." H. B. Yates

CHANGES SEEN

in savings by industrial workers

*They're saving more than they used
to, and their wives are handling
the family finances to a greater
extent than ever.*

WITH earnings of average factory production workers at peak levels, many analysts believe a significant change is under way in the saving habits of wage earners.

Our knowledge of the characteristics of savers has never been particularly good; but it seemed to indicate that over the years industrial workers tended to save less than others with similar incomes.

In general, this is probably still true. Nevertheless there is evidence that many industrial workers already hold substantial amounts of liquid assets, and there is a marked increase in the number who include regular savings in their family budget.

As recently as 1950, when the Bureau of Labor Statistics studied the spending patterns of thousands of

U.S. families, it found that wage earner families, on an average, had total outlays in excess of current income.

Detailed breakdowns of these studies which are now being published by the University of Pennsylvania make it clear that these families were not necessarily in financial difficulties. Though the average wage earner was going into debt, many of his expenditures represented installment obligations for items involving elements of saving. For example, the average wage earner spent \$206 for an automobile; \$163 for household durables; \$124 for personal insurance and \$124 for payments on owned homes.

Further tabulations which are now being released show that many fami-

lies obviously were acquiring small amounts of savings at the same time that they were obligating themselves for continuing installment and mortgage payments.

Consumer survey helps

Much of our information about saving habits comes from the studies which the survey research center of the University of Michigan has conducted for the Federal Reserve Board. Since the development of this annual series in 1945, a whole new understanding of savings patterns and motives has emerged.

For the first time it was demonstrated that 10 per cent of the savers have over 60 per cent of the liquid assets. Moreover, the reports show that entrepreneurs, businessmen, man-



agers and farmers, who are a fifth of the population, account for two-thirds of the saving, with professional people doing an additional eighth of the saving, double their population weight.

But the studies also show that within each income and occupation group, regardless of the general situation, there are substantial numbers of "big" savers as well as "small" savers.

As a group, clerical, sales, skilled and semi-skilled and unskilled workers, who are three-fifths of the population, did only a fourth of the saving. Among the skilled and semi-skilled workers, nearly a third had no savings at all, and another 32 per cent had less than \$500.

On an over-all basis, the record of these skilled and semi-skilled workers

compared unfavorably with others of similar income. For example, only 14 per cent of sales and clerical workers are listed as non-savers, with 50 per cent holding assets totaling \$500 or more.

Liquid assets improve

Yet the Federal Reserve reports also prove that this general rule cannot be applied to all industrial workers. From studies made early this year, Federal Reserve found that 17 per cent of the skilled and semi-skilled workers have liquid assets exceeding \$2,000. This is an increase from the 14 per cent reported in early 1955, and it compares favorably with the sales and clerical group, which had 21 per cent of its people in the "over \$2,000" group, a gain of only

2 percentage points over 1955.

The weakness of skilled and semi-skilled workers as savers was particularly notable in the moderate saving group, with only 21 per cent reporting savings of \$500 to \$1,999 compared with 29 per cent of the sales and clerical.

After its 1953 survey, Federal Reserve Board compiled estimates of net worth. For wage earners, the "median" was \$1,900, with 18 per cent reporting debts in excess of assets, and more than a third holding resources equal to less than three months' pay. In summing up, the Board commented: "The smallest net worths were reported by wage earners (skilled, semi-skilled and unskilled) although this group has a median income about as large as that of the

general population."

However, even the net worth studies, which showed that over half of the wage earners had resources equal to less than three months' income, point up the fact that large numbers have accumulated impressive holdings. At least a third of all wage earners were found to have resources equal to a year's pay, and 10 per cent had resources equal to three or more years of current income.

One likely explanation for the poor savings record of industrial wage earners generally is that they have only recently achieved sufficient income status to acquire the costly durables which are part of today's general standard of living.

Detailed tabulations from the 1950 Bureau of Labor Statistics studies show clearly that skilled workers have been acquiring assets of all types at a greater rate than most occupational groups with similar incomes. In a large northern city, for example, average skilled workers, with incomes of \$4,664, added \$740 to all kinds of assets. Entrepreneurs and professional people did better. But sales and clerical people, with incomes averaging \$4,355, acquired only \$665 in assets, and semi-skilled workers, with incomes averaging \$4,105, added an average of \$530 of assets of all kinds to their net worth.

As wage earners build their "inventories" of durables, and as take-home pay continues to increase, newer surveys are likely to show more of a tendency to put part of the paycheck into savings.

Big debt commitments

For the present, debt remains a particularly difficult problem for the wage earner group. While Federal Reserve studies show that virtually every age and occupational group carries its share of the debt load, the skilled and semi-skilled group reports debt with greatest frequency. About three-fourths have some obligation, and more than a third reported that anywhere from 20 to 40 per cent of their paycheck is earmarked for mortgage or installment payments.

Nevertheless, there is good evidence that many more skilled and semi-skilled workers are achieving standards of living equal to other income groups, and the pressure to undertake excessive obligations may ease.

When the Bureau of Labor Statistics first studied the budgets of wage earners in 1934-36, it found that the average worker had to spend 57 per cent of his \$1,524 income for basic needs like food, housing, heat and utilities. By 1950, average income was \$3,872, and the percentage required for food, housing, heat and utilities had dropped to 48 per cent.

Clearly, a newer survey should show that even smaller percentages of income are needed for these basic budget items today. For average weekly earnings of production workers, which were \$40.17 in 1939 (in terms of 1947-49 dollars), climbed to \$67.97 by 1952 and \$73.06 by mid-1956.

Homes, autos common

In the process the wage earner obviously has come into his own. In the mid-thirties, only 30 per cent of wage and clerical families owned their own homes, compared with roughly 40 per cent of all non-farm families. As a result of the important gains of the 1940's, the over-all percentage of home ownership of non-farm families reached 54 per cent in 1951, with the wage and clerical group only 5 per cent below the national average. Now over two-thirds of all wage earner families own automobiles, compared with 44 per cent in 1934-36.

With these solid gains behind him, the wage earner begins to act like any other citizen who has achieved a degree of security. Possibly the most significant tip-off was contained in a recent speech by David McDonald, president of the United Steelworkers.

In his address before a convention of his union, he talked with pride about America's "People's Capitalism." In America, he said, everyone can share in the ownership of industry by investing in common stocks. And he left no doubt about his belief that an increasing percentage of the steelworkers are taking advantage of the opportunity to become "capitalists."

Some of the most effective missionary work to stimulate saving by wage earners has been done by the Savings Bond Division of the U.S. Treasury. As a result of its aggressive promotion of the payroll savings plan, over 8.5 million savers have been signed up. Their investments in bonds average \$5 per week per saver.

Under the patriotic excitement of

World War II the payroll savings ranks had swelled to 27 million persons, but when nature took its course in the postwar period, participation shrank to only 4 million regular savers in 1947.

As a result of redoubled effort in the past few years, Treasury now has payroll savings plans operating in nearly 1,000 industrial plants with roughly 25 million employees. Its experience shows that about one in every three workers can be "sold," and that they are generally long-term savers. At the present time, payroll savings accounts for about half of all E Bond sales.

Because of its concern for the future outlook for savings, Treasury recently had the University of Michigan prepare a special report on the attitude of savers. It found that 76 per cent among the persons interviewed said people should buy Savings Bonds. But only 20 per cent actually made purchases.

This survey pointed up a sharp change in the motives of savers. Treasury people were interested in the fact that 60 per cent cited personal investment motives for buying bonds, while only 40 per cent attributed their purchases to patriotic motives.

Rainy day saving off

Most savers now have a positive objective. Only four out of ten save "for a rainy day" compared with six out of ten when a similar report was made in 1952. On the other hand, substantially increased percentages say they save for retirement, for the education of children, or to buy a home or some specific item of durable goods.

Treasury's survey offers unusually significant information for other savings institutions concerned with the development of new accounts among the wage and salary groups.

"Among the large group of families with incomes between \$2,000 and \$10,000, the wife plays a very active role," the report says. "Where the head of the family is a skilled or unskilled worker, or a clerical or sales person, wives have a most important part."

"In these cases the wife is in a better position to assume the task of handling the family finances, since income tends to be more stable and predictable among wage and salary earners."



FIRST CREDIT UNION?

In 1864 the farmers of a Canadian parish chartered a bank on service principles, and gave good service for 30 years. But the main thing they learned was that you can't run a credit union on banking patterns.

YEARs before any credit unions had been organized in Canada or the United States, a group of farmers on Prince Edward Island tried valiantly to create one. They made one serious mistake: They attempted to reach credit union goals through banking procedures. After thirty

years, they failed. However, during the thirty years from 1864 to 1894 they established a record of service to the people which is still remembered by men living today.

The Farmers' Bank of Rustico, as it was called, never had more than about \$20,000 out on loan at any

time. But in days when a \$50 loan was a substantial transaction, \$20,000 was not so small as it sounds to us. The Farmers' Bank was the smallest bank ever chartered in Canada, perhaps in the entire British Empire. In the end it was crushed to death by the big centralized Canadian banking system, and silently disappeared. For the thirty years of its existence, however, it provided the farmers of Prince Edward Island with real relief from the usurious loan rates commonly charged.

In 1891 the Farmers' Bank of Rustico was given three years to liquidate, under the new banking laws which were designed to encourage chain banking. In 1892, Alphonse Desjardins became a stenographic reporter in the national parliament in Ottawa. He had an opportunity in this position to learn much about the credit problems of the people, and to study the experience of the Farmers' Bank of Rustico. The future founder of the credit union movement in North America could learn much from this single example of a people's bank, and it undoubtedly taught him the futility of attempting to provide credit for the people under the ordinary banking laws. It encouraged him to plan a cooperative credit and thrift program outside the usual commercial pattern.

A good model

For the Farmers' Bank, in other respects, was close to being a model of a credit union. It was directed and managed by elected volunteers. It was open for business one afternoon a week. It set the value of shares low enough so that low-income people could afford to become owners. It charged 7 percent interest on loans during the early years, and reduced the rate to 6 percent later. The building that housed it was built by the labor of the members. Something kept it honestly dedicated to the service of the farmers of Prince Edward Island throughout its existence, so that old men today, more than 60 years later, still remember it and recall how on Wednesday afternoons the directors and clients would come riding to the bank on horseback.

Rustico is one of the Acadian towns of Prince Edward Island. The Acadians were an unfortunate group of people. French-speaking settlers, who had been the first farmers in the

eastern provinces of Canada, they became innocent victims in the long conflict between England and France. During the French and Indian war, living in territory recently conquered by the British, they tried to maintain their neutrality and refused to swear an oath of loyalty to the British Crown. Meanwhile, however, a few of them encouraged warlike Indians to raid British settlements, and the whole Acadian group was looked on as traitors. In 1755, a large number of them were expelled from Nova Scotia and shipped to other colonies, many of them arriving at last in Louisiana. The story of the hardships these Acadians suffered has been told by Longfellow in his poem, *Evangeline*.

A story of persecution

There were four or five thousand Acadians living in Prince Edward Island, also, and in 1758 their homes and farms were seized and numbers of them were deported. Some became refugees in other parts of the continent. Others took up hiding in the woods, hoping for a chance to return to their farms. In 1768, there were 203 Acadians still hanging on desperately in Prince Edward Island, including 123 children. They were living in a condition close to famine, for their homes and livestock had been completely wiped out. As the worst of the persecution passed, they reestablished themselves to some extent; but for a number of years they were granted no civil or political rights. Sometimes they were allowed to resume farming, but they were always in danger of losing their land to people with better-established legal rights. The best they could do was to settle in less fertile areas, which were not likely to attract the covetous.

This pitiable situation lasted for several generations. Nevertheless, the Acadians survived and increased. Surrounded by prejudice, they took strength from their religious life and organized close little communities centered around their churches. Still speaking the French language among themselves, they worshipped, farmed, married and hoped for better things. Gradually better things came. Little by little, commercial and political relations were established with the English, Scotch and Irish settlers. The Acadian parishes grew to seven, with Rustico the largest. By 1850, the

T HIS article is based on

a paper by Dr. John T.

Croteau, published in

Quebec last spring. Dr.

Croteau is author of the

current book, *The Federal*

Credit Union.

Rustico today is a village partly surrounded by the brackish water of the Gulf of St. Lawrence. Fishing and farming support the people.

French-speaking islanders were well integrated into the economic life of the colony. Farming was still an uncertain life, for the system of land ownership had not been well organized. However, the Acadians had made progress in a hundred years—they were at least living at peace with their neighbors.

To the poor, illiterate, devout parish of Rustico in 1859 there came a new priest, who had already made a remarkable record as a missionary among the Indians. This priest, Father Georges-Antoine Belcourt, was prepared not only to give his people spiritual leadership but economic help as well. Born in Quebec, he had already spent some years in the West. He had compiled one of the first grammars of the language of the Indians of the Red River region. His reports on Indian conditions had been transmitted to the Congress of the United States. Among his spectacular exploits was a trip he made



in the dead of winter from Minnesota to St. Louis in order to get medicine when the Indians were suffering from an epidemic.

In Rustico, Father Belcourt put his energy to work on a new set of problems. He established a high school for gifted young people, importing a teacher from Quebec. He organized a brass band and a chorus. He set up an institute for the study of agriculture, which only non-drinkers were permitted to attend. He organized a library: Napoleon III, then Emperor of France, made him an annual grant for the purchase of books.

Help from France

In France since 1840 there had been efforts to solve the credit problems of the people by setting up co-operative people's banks. Napoleon III himself encouraged this movement. Father Belcourt was familiar with it, and as he considered the economic problems of his new par-

ish, he began to plan a bank. This took courage; banking was considered an activity properly reserved for the elite. The idea of applying for a charter for a people's bank was daring in the extreme.

Father Belcourt encouraged his parishioners to construct a bank building even before they applied for a charter. Their church was wood, and stood at the top of a hill. But their bank, lower down the slope, they built of cut stone, rare in Prince Edward Island—a symbol of strength and solidity. Completed in 1861, the building still stands today. It is a two-story building about thirty-three by fifty. The walls are of red stone fourteen inches thick. The handhewn twelve-inch rafters are pegged together without nails, and numerous windows give the interior abundant light. The office of the bank and the library were on the first floor. The second floor was a large room for public meetings. Endowed with a

building before it got its charter, the Farmers' Bank was assured of low overhead.

Like all rural communities, Prince Edward Island stood in constant need of credit. Money left the island faster than it could be earned. There was only one bank on the island in 1860, the Bank of Prince Edward Island. It made loans at 7½ percent, but could not supply the demand. The newspapers of the period were full of references to store credit and collection problems. The Singer Sewing Machine Company offered its products "for cash or credit." Usurious lending was common. In 1863, according to an editorial in a local paper—

Much secret lending

"Anybody who lends privately can easily invest every penny on excellent security and at any rate of interest." Said one speaker during a debate in the colonial parliament: "The present

legal rate of interest is 6 percent; but the law is circumvented by accepting promissory notes at an additional 20 to 25 percent." Others mentioned interest rates from 15 to 20 percent.

To get a charter, the people of Rustico parish had to go through a labyrinth of legislative obstacles—the colonial legislature, the Secretary of State for the Colonies, the Queen's Privy Council, and Her Majesty Queen Victoria. Midway in this process, the Secretary of State objected that the bank was proposing to operate on astonishingly little capital—about \$3,900. The Rustico people replied that there was nothing in the banking laws that required a newly chartered bank to have more capital than that, and that the main question was whether the bank was soundly organized. They did not propose to start business until the total capital requirements had been deposited in gold and silver, and they undertook to limit themselves in the issuance of bank notes to twice their assets.

These arguments, backed by the undoubted need of the colony for additional banking facilities, won the consent of the government, and the Queen authorized the charter on April 7, 1864.

The law under which the bank was incorporated provided for an initial capital of £1,200, which in the currency of the Island was worth somewhat under \$3,900. Shares were to be sold at a par value of £1, or slightly over \$3. The bank was not to commence operations until the entire capital had been raised, and shareholders were to be limited to 15 shares each during the first six months of organization. Afterward, the limit might be raised to 100, still later to 300. Every effort was made to spread ownership as widely as possible.

Voting restrictions

Voting rights were graduated in line with shareholdings, but no shareholder could have more than fifteen votes. Proxy voting was restricted. Also, the bank was empowered to issue paper money in an amount equal to twice its assets.

Most of the provisions were identical with those normally found in a commercial banking charter — only the low capitalization and low par value of shares were unusual. Yet most of the machinery was available

for running a bank on service principles.

The history of the Farmers' Bank during the next thirty years can only be guessed at from the occasional balance sheets that still exist.

During the first years up to 1875, the bank seems to have had an average outstanding loan balance of about \$20,000, which gave it an annual income of \$1,400. Its expenses included \$200 per annum paid to the cashier and \$887 paid out in dividends. This meant a dividend rate of 10 percent on invested capital.

Attacks and a reply

There were rumors in the early 70's that the bank was unsound. Father Belcourt had left Rustico by then to go to another parish, but he was able to return and investigate the rumors. In a published letter, he assured the public that the bank was perfectly sound and could meet all its obligations. He mildly suggested that perhaps dividend rates had been too high, but the main part of his letter indicates that the bank was being attacked by commercial banking interests. "I would like to point out," he said, that the Farmers' Bank "deserves all possible support from the commercial banks, its sister-members. The farmer creates wealth; he is the foster-father of all society; it is from him that the baker gets his flour, the weaver his wool, the shoemaker his leather, the butcher his beef . . . To deprive the farmer of his bank would be to send him into the greedy clutches of the usurer . . . There is only one bank that can lend the smallest as well as the largest sums at a moderate rate of interest . . ."

Part of the Farmers' Bank's problem was that it stood alone, Father Belcourt noticed. A number of such banks should be organized, he believed, to give each other mutual support, assistance and protection. A movement of this sort was sure to succeed.

But there were simple business mistakes that the bank made in its early years that accounted for some of the criticism: it printed 50 percent more paper money than the law authorized, and it consistently failed to build adequate reserves. The amount of paper money was reduced after 1873, and the dividend rate was gradually lowered to 6 percent. However, to the very end the bank never

set aside much in the way of reserves. During the 1880's hard times troubled the farmers of Prince Edward Island, and loans were harder to collect. However, the bank remained perfectly stable and liquidated at last without loss, thanks presumably to the fraternal spirit in which it always operated.

When the Farmers' Bank was set up in 1864, it received a twenty-year charter. Meanwhile, in 1867 the colonies of Canada became united in a federal system of government under the British North America Act. The new Canadian government passed banking laws encouraging strong centralized banks operating through branches. Small independent banks did not fit into the new system, and were gradually bought out. The directors of the Rustico bank applied for a renewal of their charter in 1882, but they could not have been very hopeful. By petitions and extensions the death of the bank was postponed till 1894, but the activity of the bank, particularly its issuance of banknotes, was gradually curtailed. About 1894, the bank quietly went out of business, apparently in an orderly fashion without producing much comment in the newspapers or the legislatures. The cashier, Adrien Doiron, died a few days later, his health affected by the uncertainties of the bank's closing years.

A remarkable record

It was a remarkable thing, as Alphonse Desjardins could undoubtedly see, that the Farmers' Bank should have lasted thirty years without protective alliances of any sort, doing business without substantial reserves and even without regular audits, under laws which did not favor such a people's organization, subject constantly to the criticism and hostility of commercial interests. Its success, however, was significant enough to give Desjardins ground for confidence that a group of similar organizations, in the right legal setting, could become a powerful force in the struggle against usury. Desjardins was able to create such a force in the *caisses populaires* of Quebec, the first North American credit unions. There is even a *caisse populaire* today doing business in the two-story red stone building that the people of Rustico erected with their own hands ninety-five years ago.



Protecting your credit union against **BURGLARY**

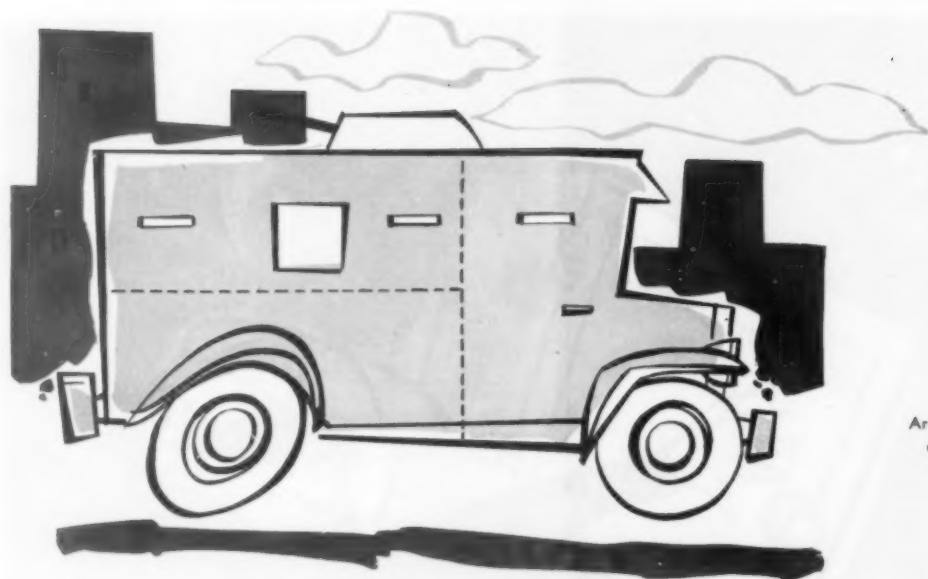
*The safeguards are
simple for most credit
unions, and they protect
against internal losses as well.*

BURGLARY and robbery account for about 13 percent of the bonded losses credit unions experience, judging by claims filed under the CUNA Bonding Service since January 1, 1951.

Since that date, when the present bonding program was established, total claims reviewed have totaled 1,021, amounting to \$1,183,258. The number of claims under the heading of burglary has been 146, for a dollar volume of \$110,694. Robbery, which

includes hold-up, has produced 13 claims for a total of \$48,548.

One reason why credit unions should take precautions against burglary and robbery is to keep bond rates down. At present, credit unions benefit by favorable bond rates—more favorable than most other financial risks enjoy. Credit unions have earned low rates by working together to reduce risks and improve procedures. The present intensive drive for better supervisory committee per-



Armored car service is not expensive and protects both cash and credit union staff.

formance is an outstanding example of this.

However, every credit union board naturally wants to know: Why should we bother? Why get worked up about it?

The answer is that there are several immediate selfish reasons why a credit union should protect itself.

For example, most of the sloppy or thoughtless practices that increase the risk of burglary also increase the risk of internal dishonesty. Protection against burglary also protects against theft or embezzlement by your own officers or employees. No credit union board wants to continue practices that will expose its own little family to temptation and crime.

Further, your bond does not protect you against all the incidental losses that you may incur as a result of burglary or hold-up. If you are adequately bonded, you will get back the stolen money. But there may well be other losses: lost time, damaged property, incidental expenses, membership uneasiness, share withdrawals.

Protect staff and members

Finally, you don't want any of your officers or employees exposed to physical danger. An officer or employee carrying money to the bank is subjected to risk—naturally, you want to reduce it as much as possible. The possibility that your credit union will be invaded by armed bandits is small, but it has happened to some credit unions and could happen to

yours. You naturally want to avoid violence. You don't want your members or staff hurt. The steps you take to avoid attracting hold-up men may be little or no trouble—and they may save a life.

The suggestions in this check list are not suited to all credit unions. Some credit unions are large, some are small. Some have paid employees, some have none. Some can afford to spend money on burglar-proof safes and armored car service, others cannot. Your circumstances will dictate which of the following suggestions you can use. However, you certainly should use all of them that are practical for your situation; and you should keep in mind the fact that for a credit union that is now small but growing, it is good to establish proper habits as early as possible. Bad habits are always hard to break, and they are easy to overlook.

Reduce exposure

Here are sixteen suggestions for you to consider:

1. Don't expose large amounts of money.

Stacks of currency should not be left around where members or strangers may see them. Everybody notices such things. Many people talk about them in taverns, on buses or in social gatherings, and are overheard. As you take money in, put it away some place. If you have a large pay day operation, have somebody collect cash from tellers at frequent intervals and take it into a backroom.

2. Don't keep large sums over night.

All the day's receipts should be deposited in the bank. Use the night depository if possible. If there isn't any night depository available, set a cut-off time in the afternoon and get the money down to the bank before it closes.

3. Lock things up.

No matter how small the sum of money you have on hand, lock it up. Don't keep it in a cigar box or unlocked drawer. The simplest lock is enough to discourage certain kinds of theft.

4. Don't let officers or employees carry money around any longer than necessary.

If officers, collectors or other employees are carrying credit union money, get it out of their pockets and into a safe place as quickly as possible. Don't let it be known that they customarily carry large sums, and don't expose them to the temptations that arise from loose habits. Be businesslike about it.

5. Handle checks carefully.

All checks taken in should be immediately stamped "for deposit only." This will prevent their being cashed by thieves. At the end of the day, a list should be made of all checks taken in, whether they are to be deposited immediately or placed in the safe. In event of loss, payment can then be stopped.

6. Use as good a safe as you can afford.

Most small safes are not burglar-

Stamping all checks with a restrictive endorsement as soon as they are received is a fundamental and easy form of protection.



proof, only fire-resistant. If you are keeping as much as \$1,000 in it overnight, you should have a burglar-proof safe.

7. Anchor your safe.

Even a small safe can be made more useful by fastening it down. Some safes are on casters—remove them! Fasten the safe to the floor or wall so that burglars can't easily wheel it away in a wheelbarrow.

8. Use lights at night.

It can be a big mistake to hide the safe away in a closet or dark corner. This gives a burglar a safer place to work. It may be better to have the safe out in an open area with a light on it all night. Burglars are nervous about spending time in a spot where they may easily be seen. Regular use of a night light in the credit union office should be considered.

9. Vary your messenger service.

Don't have the same officer or employee carry money to the bank at the same time every day along the same route. Vary these elements as much as possible—change the person, the time, the streets.

10. Use an armored car for big risks.

How much money constitutes a big risk depends on circumstances. There are some parts of some cities where you shouldn't send a messenger with \$200. Other neighborhoods are safer. Generally speaking, however, if you are sending \$500 to the bank by messenger, you should be thinking about armored car service. Check the rates for the type of service you need—you

should have that information.

11. If you have a large operation, don't expose the whole thing to view.

Large credit unions have a lot of floor space and numerous employees. While it is desirable to make the office feel friendly and hospitable to members, for security reasons it is desirable to screen and partition some sections. Burglars will want to size up your office carefully before invading it at night—don't help them. You should have a room where you can count large sums of money behind a locked door.

12. Avoid too much talk.

You shouldn't talk too much in public about credit union affairs; caution your employees not to.

Some credit union officers get pretty enthusiastic about the growth of the credit union and the experience of handling large sums of money. But they should avoid talking about such things in restaurants, where others may hear them talking about the amount of cash they handle on pay day, or how much they are going to invest in bonds, or how much they are going to borrow from the bank.

13. Don't rely too much on a noisy alarm system.

Noisy gongs may be all right at night. They may frighten burglars away, although they will not usually bring in police in time to make an arrest.

In daytime, however, the noise may frighten a hold-up man into shooting. In a room full of members and credit union staff, this is the last thing you want. It's better to let the money go.

14. Don't be a hero.

You are entitled to risk your life if you want to, but not with other people around. Don't pull a gun and endanger your members and staff. Don't even make sudden movements or talk tough. Hold-up men are often doped up with narcotics, and their reactions are disagreeable. Let them take the money and get out. If you want to do something for your country, try to remember what the bandits looked like and sounded like. After the hold-up, don't gossip about it. Talk to the police and your attorney. Don't tell the newspapers how much money the bandits overlooked.

15. Get police advice.

You may have armed guards available to protect your messengers or your office during periods of high exposure.

Or you may be entitled to police protection. Talk it over with your police department. The police will be glad to talk over your entire security routine and make suggestions. In cases where the police are familiar with credit union procedures, their suggestions will be practical. In other cases, the police may need a little credit union education first, which won't hurt.

16. Remember, the simple things may mean most.

Locks are no good unless they are locked, blank checks signed by officers should not be left around where they can be stolen and cashed, money should be deposited as quickly as possible, doors and windows should be protected at night.

What about it?



League Membership

Do you have to be a member of CUNA to participate in its insurance plans? If so, what is the cost of such a membership?—*James O'Brien, Lowell, Massachusetts.*

ANSWER:

In order to participate in the CUNA Mutual Insurance Society program of Life Savings and Loan Protection insurance, you must be a member of your state league. In Massachusetts you must belong to the Massachusetts CUNA Association, Inc. By paying dues to your state league you are automatically affiliated with the Credit Union National Association. A portion of the dues which you pay to your league is in turn forwarded to CUNA under a per capita schedule, as determined by the National Board at its yearly meeting. Each state elects its National Directors, who represent the individual leagues at the National meeting. The dues schedule which you pay to your league is voted for by the delegates at your league's annual meeting each year.

Reinstating Disabled Member

Some time ago, a member of our credit union became physically unfit for duty, and CUNA Mutual paid off his loan in accordance with our Loan Protection contract. His savings were withdrawn, and membership was terminated. After more than a year's absence he recovered and returned to duty. He has been working as a full-time employee for several months and wishes to join the credit union again and get a loan for transportation purposes. Can our credit union accept him as a member and grant him a loan?—*J. W. Snider, Hammond, Indiana.*

ANSWER:

Whether or not you accept him as a member again is up to your board of directors. Whether or not you make him a loan is up to your credit committee. This can be done regardless of whether he becomes eligible again for insurance on loans or shares. Our feeling is that these decisions should be made on the basis of the man's need, his ability to repay,

and the collateral he offers, quite apart from whether he is eligible for insurance protection.

If he wishes to reinstate his eligibility, he must do three things: 1. resume his former occupation or a comparable occupation, 2. repay the amount paid by CUNA Mutual on the old disability claim, 3. establish that he is not receiving disability payments from any source. If he wishes to do this, CUNA Mutual will supply forms to fill out in order to reestablish his eligibility. If he does not, his loans and shares cannot be covered. But we emphasize again that even though he does not become eligible for insurance protection, you still have it within your discretion to extend him the other benefits of credit union membership.

Loan Renewal

A member has made a loan, and after a certain time he feels that he wants to square it off. He has shares equal to the loan or more, and he transfers from his shares and pays off his loan, and after a few months he decides he wants to make a new loan. Do you think it would be fair in granting him a new loan or not?

*Colin Wood,
Dalhousie, New Brunswick*

ANSWER:

We don't make loans only to the members who are clever enough or lucky enough to make good use of our thrift service. We make loans to all members who need our help, regardless of whether they are clever or foolish, thrifty or reckless, thoughtful or improvident. The thrifty, clever, thoughtful member does not need the credit union as much as the member who has trouble with money, whether because of his personal character or because of circumstances beyond his control.

It is bad practice to confuse the educational policy of the credit union with the credit policy. Our credit policy should be to make useful credit available to all members who need it and can repay. Our educational pol-

icy should be to educate our members in the wise use of credit and thrift. However, our members are all different, and what is wise for one may not be wise for another. We have to recognize this, we have to accept the fact that they will learn faster if we let them make their own decisions, and we have to remember that we don't necessarily know more about what they need than they do.

There is another side to this. If we refuse loans to our members because we don't approve of the way they handle their money, we drive them out of the credit union. We lose exactly that group of members who need our help the most, and our credit union becomes primarily a tiny group of people who approve of each other.

Passbook Custodians

Our credit union has payroll deductions, and we have much difficulty in getting the members to bring in their passbooks for posting. In a federal credit union, can the members leave their passbooks in the credit union office?

ANSWER:

No, in a federal credit union the members are not allowed to leave their passbooks in the credit union office.

However, if it is not practical for the members to retain possession of their passbooks, a custodian can be appointed, as described in the federal handbook. Custodians should not be appointed by the officers or directors of the credit union. A custodian should be appointed only by the members as individuals, or as a group.

The custodian keeps the members' books in his desk drawer or other convenient place, hands the books to the members when they wish to use them, and receives them again when the members wish to leave them. That is the total extent of his function. He does not handle money, he does not run errands between the members and the credit union, he simply takes care of pass books.

Why can't Johnny handle money?

Maybe he can. Maybe adding credit union service to the school program, as they do it in British Columbia, will help.



IT may or may not be true that the schools are not teaching Johnny to read. It is more likely to be true that they are not teaching him how to handle money. Obviously, addition and subtraction are not enough—these are just tools, but money management involves habits and emotions, visions and discipline.

Credit unions in schools offer one way of teaching children something about money. From the point of view of growth, the most successful credit union school program so far is the program developed by the British Columbia Credit Union League, working with the numerous community credit unions of that province. There are 127 community credit unions in British Columbia, and forty of them now sponsor junior savings programs—or children's savings clubs, as they are called.

British Columbia is a booming province, and its communities offer fertile soil for children's savings clubs. The communities are small and neighborly. The community credit unions are strongly established and popular. The people, like Canadians everywhere, are inclined to stay put

in their home towns, rather than migrate around the country in search of jobs like people in the States.

At the present time there are 62 children's savings clubs, one in each of 62 schools, and the number is expected to increase by about 10 this winter. The schools are mostly public schools, but private and parochial schools are by no means ruled out.

These clubs accept the children's share deposits and, within limits, make loans. They encourage thrift, they serve as a recruiting ground for future members for the community credit unions, and they help children learn money management early in life. Many teachers say that this credit union experience brings new life and reality to subjects like mathematics.

Loans made also

While the clubs are planned primarily as a thrift program, the loan program has its own special value. No effort is made to push loans, naturally, but there are good and useful purposes for credit to students. Small loans are being made at the usual 1 percent per month rate for

farm animals, fishing boats and bicycles. Another class of loans has also been developed—loans for advanced education. These are made at 4 percent per annum; the volume of these is limited to 50 percent of the assets. While the need of children for credit is relatively small, it is far from insignificant.

The first of the children's savings clubs was organized by the community credit union in Port Alberni. At the end of May, 1956, this credit union had total assets of \$408,624; its junior membership showed a total of 895 school children, and they had saved \$23,309 in shares. Loans outstanding in the children's savings club included \$1,100 in personal loans at the regular rate and \$2,769 in education loans at the reduced rate. The pattern worked out in the Alberni District has been generally adopted throughout the province. The League has put this information together in manual form, which is supplied to interested groups.

In setting up its children's savings club, the Alberni District Credit Union began by enlisting the support of school officials and the Parent-

Teachers Association. To a large extent, the sponsorship of the Alberni District savings club is lodged in the PTA rather than in the credit union. PTA representatives carried out much of the early organizational activities, and they now act as collectors and liaison agents between the credit union and the school system. There are several advantages to this PTA participation: it gives the savings program an approach to all parents whether or not they are credit union members, it helps create additional publicity channels, and it ties the credit union in more closely with other community organizations.

To any community credit union contemplating a children's savings program, the League recommends as a first step setting up a three-person committee of PTA representatives and retired teachers. These should be people well acquainted with school methods and routine and deeply interested in the thrift program. Their job includes selling the program to school officials and setting up an operating team.

Minimum of disorder

The chief problem in convincing school officials of the value of the program is to be able to assure them that it will take a minimum of the teachers' time and disrupt the school routine as little as possible. This takes planning as well as talking. During the discussion, positive values of the program can also be brought out—how the program benefits the children financially, how it helps prepare them mentally for the economic problems of the future, how it provides teachers with material for use in teaching mathematics or civics.

After the school officials have given their approval, organizing the savings club involves three more steps—explaining the plan to the students, setting up a routine for collections, and appointing a supervisor and a team of collectors.

Winning the interest of the children is the easiest part of the program. Children generally respond eagerly to any project that strikes them as real, useful, practical and grown-up. They are not ashamed to save a cent a week—although the average savings will run between twenty cents and a dollar. They are glad to be able to borrow for useful purposes, although the percentage of

borrowers will never run high. They are pleased to be eligible for loans for advanced education. They pick up good credit union habits with the facility of youth. They are inclined to pay back their loans more conscientiously than their elders. Their interest seems to be keenest beginning about the sixth or seventh grade and up to the last year in high school. The habit of thrift begins to weaken, one observer reports, when the interest in the opposite sex grows intense.

Collections are made every week. A regular day of the week, and a regular time of day, have to be set from the start and observed faithfully. Collectors have to be punctual in their work, or the school officials and teachers will soon rebel.

The number of collectors will vary with the number of classrooms to be visited. In some cases, school savings clubs will be organized in several school buildings, and a larger number of collectors will be required. These collectors will all be responsible to a supervisor, who will be the chief administrative officer of the program, standing in a strategic position between the schools and the credit union. Generally speaking, the best qualified person for this position will be a retired teacher or someone else who commands high respect among the school personnel.

Appointing the collectors requires some flexibility. They may be PTA members or former teachers. They may be other people respected in the community. They may be active teachers already in the classrooms, but this should be avoided as much as possible. They may be students.

Students take responsibilities

The extent to which students participate officially in the program is still being worked out. In most of the savings clubs students act as classroom tellers, two to a room. They collect money and deposit slips from the members, and turn them over to the collector once a week. In some clubs, students become collectors. As the clubs grow in size and experience, the usual trend is toward more and more active student participation. This, of course, is as it should be.

The credit union provides a complete set of forms for use by the savings club—simplified passbooks, deposit slips, membership application cards and collection sheets. When the student tellers collect the members'

money, they make entries in the passbooks and on a collection sheet. When the collector arrives, the money and records are turned over; the collector totals the collection sheet, checks the cash and leaves a copy of the collection sheet and a receipt with the tellers or with the classroom teacher. The collectors turn over cash and collection sheets to the supervisor, who delivers them to the credit union.

Deposit slips are yellow to make it easy to segregate them in the credit union files. Membership application cards are salmon. The passbooks are simpler and cheaper than the usual credit union passbooks. A yellow original of each collection sheet is filed in the credit union, and a green copy is retained by the club supervisor. Entries in the school savings club collection sheet are posted by the treasurer in a separate column on the regular credit union collection sheet. Students' individual ledger account sheets are posted from the club collection sheet and double-checked against the club deposit slips. Most credit unions keep a separate individual ledger for student accounts.

Loan procedures

Loans to students must be authorized by parents or guardians, who also are required to sign promissory notes. The League recommends the loan applications by students be submitted directly to the credit union rather than to the collector, and loan repayments should be handled the same way. However, this is not a uniform practice; especially where the credit union office is a considerable distance from the school, loans are handled through the collectors just like savings.

Share withdrawals also must be approved by parents or guardians, and verification notices are addressed to them, preferably every six months.

The popularity of the British Columbia children's savings club program has been a pleasant surprise. Occasionally, there are difficulties—suitable collectors may be hard to find, overworked teachers may be overworked a little more. But in general the program runs smoothly, children take it up enthusiastically, parents like it, and teachers find it adds to the interest of the curriculum. It is growing.

Meanwhile, the credit union movement of British Columbia is developing friends and leaders for the future.

COPY FILE

for educational committees

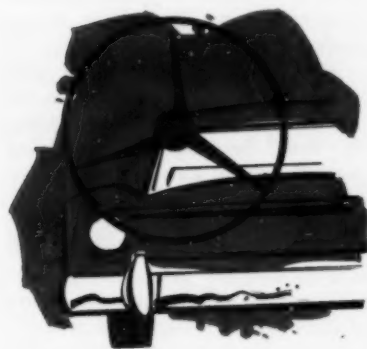


A Quick Look Ahead

THIS is a good time to stop for a look ahead.

Times are changing. It isn't easy to say what's ahead, but things won't be the same as they have been.

Up till this last summer, prices held steady. The cost of living had not increased for three years.



But during the summer, the cost of living started up again. People in business and in government began to worry about inflation. During September, the stock market went steadily down. Interest rates went up. A shortage of money began to develop, and credit became harder to get, especially for housing.

What's it all mean? What changes are ahead?

For the average credit union member, the main questions are: What's going to happen to my job? What's going to happen to the cost of living? What's going to happen to my ability to borrow and my ability to save?

Let's start with the cost of living, since that seems to be the subject on which there's most agreement. Last summer it became clear that the cost of a house has climbed up to a point where most families can no longer afford to buy a new one. In most areas, builders stopped building \$12,000 houses some time back. More recently, they stopped building \$14,000 houses. Now they are building few houses under \$20,000.

Meanwhile, banks and savings and loan associations are running short of money to lend for houses. So they are fussier. They want bigger down payments, and they want higher interest returns.

This is one of our basic problems right now, and it is hard to see any quick change. The government may try to encourage more home-building in various ways, but as long as costs

are high and money is short, the situation can't be expected to change soon.



Prices on the new-model cars are up. The price of steel has gone up, and many products made from steel are showing it. Appliances, tools, motors and such things are rising.

Food prices, also, which most of us feel quickly, are on the way up. Services, too, ranging from television repairs to doctors' bills, are rising.

All this adds up to an inflationary trend. Not runaway inflation, but gradual inflation. If you have the kind of job where pay increases are hard to get, you want to be prepared. Save what you can, and don't borrow too heavily. You may be feeling the pinch of higher costs of living through the winter and spring.

In stores and banks and savings and loan associations, you are going to find that borrowing costs you more. The stores and auto dealers will still be glad to sell to you on credit, because there is always a way to make money selling things to people on credit. The rates on automobiles and furniture can be pushed

Your credit union doesn't tighten up!

With all the talk about tight money and high interest rates, it's good to remember that none of this applies to your credit union.

Your credit union lends you the money you and your friends have saved.

It always charges you the same rate and usually pays the same dividend rate from year to year.

It never tightens up on loans, never aims at cutting back, never tries to skim the cream of the loan business.

Its only object is to help you, the members.

up a little, and you may never notice it. Rates on cars are up already. If you are the kind that never tries to compare costs, you may never realize that you are paying \$50 or \$100 more for financing your car than you did last time.

The only source of credit that is not boosting rates this fall is your credit union. If you are at all concerned about saving money on the financing of the things you buy, you had better check costs carefully with your credit union treasurer.

The big puzzle is, how far this rise in the cost of living is going. On this there is very little agreement.

Some are predicting that it will have a bad effect on business next year, and that will mean some unemployment. If you have the kind of job that may mean a lay-off during a recession, then you should keep in mind the fact that 1957 looks like an uneven year. In support of this prediction there are two facts: people seem to feel that they have borrowed about up to their limits, and production did not increase during 1956 the way it did during 1955. The gears are slipping a bit.

Others point out that after all, not all prices are rising. Some are pretty steady, or slowly dropping. Also, competition is pretty rugged right now, and that helps keep prices down. So does the great amount of research that is going on, resulting in new products and new jobs.

All this is generally taken to mean that while we may be in for ups and downs, we are not in for anything drastic.

This may sound good to you, or it



may not. If you are already feeling pretty squeezed—and many credit union members are—you can expect to feel it more this winter.

The best advice we can give you is to save what you can; and when you plan to buy anything on credit, for goodness' sake, study the cost! Get your credit union's comparison!

THE FACTS ABOUT YOUR CREDIT UNION

Your credit union is built on more than a hundred years of experience, helping people with their money problems.

It is convenient, and it saves you money.

But the best thing about it is the fact that you own it. No other member or officer gets any more out of it than you do. Nobody in it is more important than you. You have a right to expect good service from it and every consideration when you need help. That's what it was organized for.

Don't just use it as an extra pocket, or a convenience when you need a small loan.

You can really build yourself a future if you use the credit union right.

Save regularly—never let yourself skip it.

When you need money, borrow. Don't let up on your saving.

You will find that your savings keep climbing, you have enough credit to take care of your needs, and you can always keep your budget under control.

Sign up other members of your family in the credit union. Make full use of it. Talk to the treasurer about it. You'll be surprised how many ways the credit union can help you.

break time

A MAN who was fond of playing practical jokes sent a friend a telegram, charges collect, which read: "I am perfectly well."

About a week later the joker received a heavy package on which he was obliged to pay considerable charges. Opening it, he found a block of concrete. On it was pasted this message: "This is the weight your telegram lifted from my mind."

THE Browns' marriage almost went on the rocks due to the irritating presence of Uncle Charlie in their home. For ten long years he was with them, constantly nagging, finding fault and being the first one at the table. Finally he died. Driving home from the cemetery, Brown said to his wife, "Darling, I have a confession—if I had not loved you so much I could never have stood your Uncle Charlie."

Mrs. Brown's eyes widened. "What?" she shrieked. "I thought he was YOUR Uncle Charlie!"

in the NEWS



Canadian small loans law full of loopholes

ANEW Small Loans Act has been enacted by the Canadian government which broadens the coverage of small loans and reduces the legal rates. Loan companies are protesting that the rates are too low and will drive borrowers into the arms of loan sharks.

The law covers all loans up to \$1,500 made after December 31, 1956. Previous small loans legislation covered only up to \$500. The split-rate structure allows 2 percent per month on the first \$300, 1 percent per month on amounts between \$300 and \$1,000, and $\frac{1}{2}$ percent per month from \$1,000 to \$1,500. The law also forbids a man and his wife from borrowing from the same loan company.

The loan companies' association has already pointed out some of the loopholes in the law. A company can collect a higher rate by lending a borrower more than \$1,500, in which case the law does not control. Or it can split a medium size loan into two small loans, and charge the maximum rate on both.

Considering the fact that the Bank of Canada recently gave another upward shove to interest rates, it's clear there will be pressure on commercial consumer lenders to look for loopholes.

FDIC embarrassed by Illinois scandal

The Federal Deposit Insurance Corporation finds itself in an embarrassing position as a result of the Hodge scandal in Illinois.

Democratic Senator William Fulbright (Ark.), chairman of the Senate Banking Committee, was trying to get the FDIC to appear before his committee as this issue went to press. The FDIC and the Republicans were trying to postpone the appearance till after the election.

Already, the scandal had added considerably to the hopes of the Democrats that Illinois would swing over from the Republican to the Democratic party in November, and a little publicity on the FDIC shortcomings might help the Democrats nationally, it seemed likely.

Hodge, in case your local papers missed the story, is the former state auditor in Illinois, a man generally expected to become governor about 1960. A popular, hard-spendng Republican leader, thought to have a considerable fortune, he turned out during the summer to be an embezzler. He cashed over \$1,500,000 of state checks for his own use, through a bank whose president, like Hodge, is now in jail. It was embarrassing to the Republicans in the state, for Hodge had already been renominated in the primaries for another term; and he had come close to being run for governor.

The embarrassment of the FDIC comes from the fact that this embezzlement went on in spite of FDIC examiners. In fact, some of the forged checks were cashed while the FDIC examiners were right there in the bank, working.

Of course it doesn't really mean that FDIC insurance is shaky, but it does reduce FDIC prestige a little. Credit union leaders who don't like the idea of FDIC insurance for credit unions, or anything like it, will undoubtedly make a few notes.

More costly auto financing is forecast

"Auto buyers," predicts the Federal Reserve Bank of Chicago, "will be paying more for credit than they have paid in some time." The forecast comes in a review of consumer credit conditions, dated October 8.

"In the coming months," says the bank's news release, "competition will be much keener than it was (in 1955). Sales finance companies—important suppliers of auto credit—will have to compete vigorously for funds they borrow and in turn lend to car buyers. Recent weeks have seen several finance companies postpone long-term borrowing plans, after advances in interest rates."

However most borrowers don't know what they're paying in interest, the bank comments, and sales shouldn't be affected much. "Interest is only part of the finance charge, and this charge as a whole appears to be a not-too-important consideration to the average auto buyer."

Here and there

Consumer credit in the United States rose to \$29,427,000 at the end of August, reports the Federal Reserve. This was a rise of somewhat greater than seasonal proportions, as auto sales showed a belated improvement.

The U.S. Labor Department reports that a family of four now needs \$4,300 a year for a minimum but adequate income. Two out of five families have less.

CUNA Mutual Insurance Society has announced the following field appointments: Northeast District—James J. Yates, regional manager; Eastern District—George D. Parlett, regional manager; Southeastern District—Hasell R. Hood, regional manager; South-Central District—James R. Cooper, regional manager; Southwestern District—Charles C. Compton, regional manager; Central District—William B. Tenney, regional manager, with John E. Herschleb, Thomas D. Mitchell and Vaughn E. Liscum as special representatives; Mid-Western District—no appointments; Lower Western District—T. E. Davis, regional manager; Upper Western District—George O. Moore, special representative; Western Canada—William H. Snell and George B. Stirling, special representatives; Eastern Canada—J. L.



Harvey Lanctot and Joseph Wallner, special representatives.

An article titled "Why I Work for a Credit Union," by Hal Iverson, manager of the East Hartford (Conn.) Aircraft Federal Credit Union, appeared in the October issue of *Inspection News*, retail credit bureau publication.

The Louisiana Credit Union League will appoint a director of publicity and education next April, the executive committee has voted.

NEW TENNESSEE FIELDMAN

Richard M. Nichols joined the staff of the Tennessee Credit Union League as field representative for the East Tennessee area on June 21. He will be working with the Oak Ridge, Knoxville and Upper East Tennessee credit unions. Mr. Nichols brings to the Tennessee Credit Union League a varied background in the business field and a zeal to further the credit union movement in Tennessee.

Previously employed by the Carbide & Carbon Chemical Company of Oak Ridge for ten years, Mr. Nichols served in this company's engineering and industrial relations divisions. He was also employed for one year in the payroll department of Roane-Anderson Company.

Mr. Nichols is a member of the United Church and is a Mason. He is married and has one child.

THIS AND THAT

"Sharing the Credit Union Umbrella," a book for children written by Elaine Hillerson, has been published by the North Dakota Credit Union League. It will be used in Farmers Union junior program studies this year. Copies are available for 35 cents each.

The board of directors of the Nebraska Credit Union League has instructed its management to make a study of community credit unions and to report at the next board meeting its recommendations for setting up and servicing such groups.

League and CUNA staff continue conferences clarifying future programs

Following last month's study conference on educational and training materials, four more groups of league representatives have now spent a week each working up plans and programs at Filene House, headquarters of the Credit Union National Association.

Organization methods, public relations, publications and the general subject of program coordination were the topics covered. Managing directors from numerous leagues and professional experts on league staffs took part in the conferences and worked out a series of recommendations on policy and techniques. Every group has developed novel and challenging material, said CUNA Managing Director H. B. Yates in reviewing their work at the middle of October. Recommendations will be reviewed by the CUNA Executive Committee before being released to the credit union movement.

The report of the study committee on educational and training materials has now been mailed to all Leagues. Reports of the other committees will be released from the Managing Director's office as they are approved and printed. One further committee was still scheduled to meet as this issue of *THE BRIDGE* went to press—a legislative committee.

The members of the study committees were:

Organization: John Hallinan, managing director, Ontario; William Smith, educational director, Pennsylvania; Francis White, managing director, Washington; Don McKinnon, manager, Fort Dearborn, Detroit; William Brietzke, managing director, Illinois; Fabian Monroe, managing director, Wisconsin; Robert Dolan, coordinator of field services, Mich-

igan. Brietzke and Monroe were unable to attend.

CUNA-League services: Wayne Bornemeier, managing director, Nebraska; James Barry, managing director, Texas; Al W. Marble, managing director, Michigan; L. R. Nixon, managing director, Connecticut; James Hamilton, managing director, Kansas; W. W. Pratt, managing director, Pennsylvania; Ralph Bendel, managing director, Oklahoma; Richard Monruffet, managing director, British Columbia. Bendel and Monruffet were unable to attend. This group is the liaison committee selected to work with CUNA by the National Association of Managing Directors.

Public relations: Tom Landers, managing director, District of Columbia; Lou Segadelli, public relations director, Michigan; Ed Boles, publicity director, Ontario; William White, public relations director, Ohio; Robert Davis, public relations director, Illinois. Davis was unable to attend.

Publications: John P. Hillerson, managing director, North Dakota; Clyde Dwyer, managing director, Colorado; W. W. Pratt, managing director, Pennsylvania; V. Lamar Eaker, managing director, Tennessee; Kent Francis, publications director, Michigan. Pratt and Dwyer were unable to attend.

CUNA personnel from various departments also took part in the conferences.

Each conference thus far has attempted to set specific goals for CUNA and league departments, specify appropriate techniques, and clarify the new CUNA policy of providing specialists to assist the leagues in technical fields.

CUNA APPOINTS LEGISLATIVE EXPERT

A legislative expert has been appointed to head up the new legal and legislative department of the Credit Union National Association. A lawyer and former Federal Bureau credit union examiner, David R. Weinberg stepped into this new position October 15.



Until taking the CUNA position, Weinberg was serving as a review examiner in the Federal Credit Union Bureau's New York City office. He joined the Bureau as a field examiner in 1953.

He graduated from the College of the City of New York and Brooklyn Law School. He was admitted to the New York bar in 1953. He has worked in public accounting and as a social worker for the City of New York. He is single, and his hobby is sports.

The position to which he has been appointed has been newly established, to provide expert legal and legislative service on a national level and—where requested—on state and provincial levels.

SASKATCHEWAN NAMES MANAGING DIRECTOR

Gordon J. Nielsen has been appointed Managing Director for the Saskatchewan Credit Union League, the Board of Directors of the league announced at their September meeting.

Mr. Nielsen's appointment was effective September 1.



Active in the credit union movement for nearly fifteen years, he had been serving the Saskatchewan League as field representative since 1954.

In 1942 Mr. Nielsen helped organize Tisdale Credit Union, later serving it as treasurer, director and chairman of the Credit Committee.

He was elected to the Board of Directors of the Saskatchewan

League in 1943. For several years he was chairman of the Resolutions Committee at succeeding League conventions.

Death of CLARENCE OLDHAM

Clarence E. Oldham, former managing director of the Indiana Credit Union League and a veteran of the credit union movement, died last month.

Mr. Oldham retired in 1955, after many years of service in the Indiana League. He and his wife, who survives him, were honored by the League with a trip to Europe and the Holy Land later in the year.

He became interested in credit unions in the 1930's and gave up a career as a minister to work for the Federal Bureau of Credit Unions, then a division of the Department of Agriculture. He joined the Indiana League in 1938.

ILLINOIS NAMES NEW FIELDMAN

Frank A. Davis, 43, of Chicago, has been appointed to the field staff of the Illinois Credit Union League effective September 10. His field of operations will be Chicago's south side.

For approximately 6 years Mr. Davis had been employed as personnel manager of the Great Lakes Screw Corporation in Riverdale. He has served as treasurer of the credit union of his fellow employees since April of 1955.

Mr. Davis is a past president of the Southern Cook County Industrial Club, chairman of the industrial relations section of the Harvey Association of Commerce, and has formerly been treasurer of the Kiwanis Club of Riverdale-Dolton.

The new field representative has studied at the University of Missouri and Northwestern University. He and his wife, Lillian, reside at 10504 Prairie Avenue, Chicago. They have two sons.



WIDER AUTO COVERAGE

Broader protection at no extra cost was introduced in many areas served by the CUNA Auto Insurance Program, effective September 1, in

the form of a new family automobile insurance policy.

The policy provides wider protection in several respects: automatic coverage for all cars owned by husband and wife, as well as just the first car; coverage for husband and wife in cars not owned by them but furnished for their regular use; drive-other-cars coverage for eligible drivers among the children in the family; some added protection for personal effects in the car when destroyed by fire; comprehensive coverage added to collision coverage in the drive-other-cars feature.

This improved coverage will be provided automatically for credit union members insured through the CUNA Auto Insurance Program in all states where it has been approved. Exceptions: Canadian provinces, Puerto Rico, Virginia (not yet approved), Louisiana (starts October 1).

FOUNDERS CLUB NEW MEMBERS

Since the last report the following new members have been admitted to the Founders Club:

Mr. Charles Knox, Gates Credit Union, Denver, Colorado.

Mr. M. F. Lanham, Holland Motor Express Employees Credit Union, Holland, Michigan.

Mr. Theodore Ehrle, Crowell Collier Employees Credit Union, Inc., Springfield, Ohio.

Mr. Homer W. Carter, Florida League Credit Union, Jacksonville, Florida.

Mr. Paul Pasco, Muskegon St. Joseph Federal Credit Union, Muskegon, Michigan.

Mr. Bruce Chinery, Saginaw Postal Federal Credit Union, Saginaw, Michigan.

Mr. Albert Riley, Angus Shops Credit Union, Montreal, Quebec.

Mr. Maurice King, Point Credit Union, Montreal, Quebec.

Mr. Daniel Will, McGill Credit Union, Montreal, Quebec.

Mr. Frank Tyler, Windsor Credit Union, Montreal, Quebec.

Miss Carol Smith, Kimble Employees Federal Credit Union, Vineland, New Jersey.

Mr. Claude McFarland, Armstrong Employees Federal Credit Union, Millville, New Jersey.

Mr. Charles E. Sharp, Ardan Employees Federal Credit Union, Los Angeles, California.

Mr. Guy S. Miller, Jessop Employees Federal Credit Union, Washington, Pennsylvania.

Mr. Frank J. Cavell, Detroit Designing Engineering Credit Union, Detroit, Michigan.

Mr. Lawrence P. Carter, Gallagher Columbus Federal Credit Union, Royal Oak, Michigan.

Mr. Hugh L. Mount, Salt Lake Consumers Co-op Federal Credit Union, Salt Lake City, Utah.

NEW CREDIT UNIONS SHOW GAINS

The number of new credit unions organized during September is up, for the second straight month, over the year before. There were 110 credit unions set up in September, 1956, as compared to 103 in September, 1955. Gains were registered in the Midwestern, Northeastern, Canadian and Central districts.

For the year, 1956 still lags behind 1955, but the gap has been closed a little during August and September. States and provinces with higher totals for 1956 than 1955 are Iowa, Minnesota, North Dakota, South Dakota, Nebraska, Montana, California, Idaho, Oregon, Virginia, Delaware, Ohio, Maine, Arkansas, North Carolina, Mississippi, Alabama, Florida, Kentucky, Jamaica, Quebec, Nova Scotia, Prince Edward Island, Indiana.

DISTRICT STANDINGS, as of September 30, 1956

District	Sept. '56	Sept. '55	'56 Fiscal Year	'55 Fiscal Year
Midwestern	8	3	79	59
Western	13	16	207	207
Eastern	19	23	147	149
Northeastern	13	8	83	101
Southern	28	31	242	262
Canadian	12	9	118	139
Central	17	13	151	186

TOTAL 110 103 1027 1103

Midwestern District, H. E. Wingstad, Nebraska; F. Stahl, Minnesota, Organization Committee Members.

Iowa	1	0	19	6
Minnesota	3	0	19	13
North Dakota	1	0	6	1
South Dakota	1	0	7	4
Nebraska	0	0	3	1
Missouri	1	3	18	20
Kansas	1	0	7	14

Western District, A. J. Gulley, Oregon, Organization Committee Member.

Montana	1	2	22	11
California	5	9	106	100
Idaho	1	0	10	6
Oregon	3	1	13	9
Alaska	0	0	1	1
Wyoming	0	0	0	0
Arizona	2	2	14	15
Nevada	0	0	2	3
Washington	0	0	0	2
Colorado	1	0	12	15
Hawaii	0	0	2	7
Utah	0	1	11	16
New Mexico	0	1	4	12

Eastern District, J. A. Moore, Pennsylvania, Organization Committee Member.

Virginia	3	1	15	7
Delaware	1	0	4	3
Ohio	4	9	54	53
Maryland	2	3	8	8
Pennsylvania	7	6	47	47
Dist. of Col.	1	0	2	4
New Jersey	1	2	16	19
West Virginia	0	2	4	8

Northeastern District, L. B. Kilburn, Connecticut, Organization Committee Member.

Maine	1	0	8	5
Rhode Island	3	1	4	4
Connecticut	1	1	16	17
New Hampshire	0	0	2	3
Massachusetts	5	2	18	21
Vermont	0	0	0	3
New York	3	4	35	48

Southern District, H. Claywell, Florida, Organization Committee Member.

Puerto Rico	0	0	17	30
Arkansas	0	0	10	2
North Carolina	5	1	13	5
Mississippi	0	0	9	2
Alabama	2	1	25	19
Florida	2	4	24	17
Kentucky	3	3	15	10
Jamaica, B.W.I.	1	1	5	3
Brit. S. America	0	0	0	0
Canal Zone	0	0	0	0
Dominica	0	0	0	0
Tennessee	1	3	17	17
Virgin Islands	0	0	0	0
British Honduras	0	0	0	0
South Carolina	0	0	2	7
Georgia	1	2	13	19
Louisiana	5	7	21	27
Oklahoma	1	1	5	11
Dominican Rep.	0	0	0	9
Texas	7	8	63	84

Canadian District, J. L. Thompson, Manitoba, Organization Committee Chairman.

Quebec	3	0	22	19
Nova Scotia	0	1	5	3
Pr. Edward Is.	0	0	1	0
Manitoba	1	0	3	3
New Brunswick	0	0	0	0
Newfoundland	0	0	0	0
Saskatchewan	0	1	1	2
British Colum.	5	1	15	18
Alberta	0	0	7	13
Ontario	3	6	64	81

Central District, K. Duncan, Indiana, Organization Committee Member.

Indiana	1	2	21	19
Michigan	6	3	68	69
Wisconsin	5	2	15	25
Illinois	5	6	47	73

1956 Volunteers Organizers Contest, as of September 30, 1956.

L. P. Davis, Texas	5
John Quinlan, Texas	4
Martin F. Murphy, Ohio	3
James W. Huggins, Texas	2
J. W. Nabours, Louisiana	2
O. F. Burgdorf, Arkansas	2
Robert H. Brown, Louisiana	1
Louis P. Girouard, Louisiana	1
Joseph Guinn, New York	1
Benjamin W. Hill, New Jersey	1
Jack L. Kent, California	1
Keith Nosack, Utah	1
Wilbur M. Richards, Ohio	1
Carl Rooney, Montana	1
Earl J. Sullivan, Montana	1
Mrs. Dorothy Walk, Louisiana	1
A. M. Womack, Louisiana	1

FIGHTING GARNISHMENTS

(Continued from page 7)

money. He bought his own home. At work, too, he made progress: promotions came his way. A common laborer in 1935, today he is foreman of his department.

"I have saved between \$4,000 and \$5,000," this member says. "If it hadn't been for the credit union I wouldn't have saved a cent."

That was the beginning of Cudahy's amortization program. When the influx of inexperienced migratory workers from the South brought an acute garnishment problem to the Cudahy Brothers plants during 1945-46, Fuller already knew the answer. He stepped up the program developed ten years earlier. Today one credit union employee spends over three-

"We proved it!"

says Joseph L. O'Sullivan, treasurer of General Aniline Employees
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Machine for a number of years. We proved it saves us plenty
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actually cuts hours off the time necessary for posting shares
and loans, calculating dividends, preparing quarterly statements
for our members and maintaining systematic, accurate records."*



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2. Operating Ease—Functional keyboard design fea-

tures Underwood Sundstrand's famous 10-key keyboard . . . it's the easiest and fastest method of posting. . . Scientific Front Feed Carriage features "clear view" transparent carriage front for complete visibility. . . and it opens and closes automatically for speedy form handling.

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By

fourths of her time servicing the credit union's amortization accounts. Altogether, there are between 200 and 250 creditors who receive monthly checks under this program.

There are five reasons why the Cudahy Brothers Credit Union has been able to make this plan a success, as treasurer Fuller sees it:

1. Company cooperation and payroll deduction. This reduces the work considerably.

2. Creditor cooperation. Most creditors are glad to build good will this way.

3. Attorney cooperation. Most attorneys will give a full release of garnishment and action when assured that the credit union will make payroll deductions and forward monthly payments.

4. Cooperation by the company cashier. He is the official who receives all garnishments; he also, at Cudahy, happens to be a member of the credit committee, and notifies the credit union office whenever a garnishment is served.

5. Cooperation by the board of directors. The fact that the board recognizes the seriousness of the garnishment problem and is willing to spend money on its solution, is basic.

Yet despite the success of the Cudahy credit union and the Allis-Chalmers personnel department, garnishments continue to plague the people of Milwaukee and clog the civil court. In May, 1956, the civil court handled a total of 1,528 garnishments. Analysis of these by THE BRIDGE showed that 376—or 24 percent — originated with fourteen clothing stores. Fourteen other creditors accounted for another 13 percent of the garnishments. These 28 creditors filed 37 percent of all garnishment cases received by the court during the one-month period.

Obviously, if a crusade against garnishments is to succeed, it needs sustained hard work and publicity.

COMING EVENTS

November — **California** Credit Union League annual meeting, San Jose, California.

November 2-3 — **Brunswick** Credit Union Federation annual meeting, Moncton, New Brunswick.

November 8-9-10 — **CUNA** and affiliates' quarterly meetings, Sheraton-Blackstone Hotel, Chicago, Illinois. November 8, 10 a.m., **joint meeting**. November 9, 10 a.m., **CUNA Mutual Board**. 2 p.m., **CUNA Sup-**

ply Board, November 10, 9 a.m., **CUNA Executive Committee**.

November 15-16-17-18 — **Missouri** Credit Union League annual meeting, Sheraton-Jefferson Hotel, St. Louis, Missouri.

January 27 — **Utah** State Credit Union League, Inc., annual meeting, Hotel Utah, Salt Lake City, Utah.

February 9 — **Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore, Maryland.

February 28-March 1-2 — **Ontario** Credit Union League annual meeting.

March — **Tennessee** Credit Union League annual meeting, Andrew Jackson and Hermitage Hotels, Nashville, Tennessee.

March 1-2 — **North Dakota** Credit Union League annual meeting, Memorial Building, Jamestown, North Dakota.

March 9 — **Connecticut** Credit Union League annual convention, Hotel Statler, Hartford, Connecticut.

March 22-23 — **Mississippi** Credit Union League annual meeting, Heidelberg Hotel, Jackson, Mississippi.

March 22-23 — **Kentucky** Credit Union League annual meeting, Phoenix Hotel, Lexington, Kentucky.

March 23 — **Rhode Island** Credit Union League annual meeting, Sheraton-Biltmore Hotel, Providence, Rhode Island.

April 4-5-6 — **Oklahoma** Credit Union League annual meeting, Oklahoma Biltmore Hotel, Oklahoma City, Oklahoma.

April 5-6 — **Nebraska** Credit Union League annual meeting, Paxton Hotel, Omaha, Nebraska.

April 5-6 — **Virginia** Credit Union League annual meeting, Hotel Chamberlin, Old Point Comfort, Fort Monroe, Virginia.

April 5-6 — **Colorado** Credit Union League annual meeting, Antlers Hotel, Colorado Springs, Colorado.

April 5-6-7 — **New Jersey** Credit Union League annual meeting, Traymore Hotel, Atlantic City, New Jersey.

April 12-13 — **District of Columbia** Credit Union League annual meeting, Hotel Statler, Washington, D. C.

April 12-13 — **Illinois** Credit Union League annual meeting, Sherman Hotel, Chicago, Illinois.

April 12-13 — **Georgia** Credit Union League annual meeting, Dinkler-Plaza Hotel, Atlanta, Georgia.

April 12-13-14 — **Kansas** Credit Union League annual meeting, Town House Hotel, Kansas City, Kansas.

April 13 — **Vermont** Credit Union League annual meeting, Pavilion Hotel, Montpelier, Vermont.

April 19-20 — **Idaho** Credit Union League annual meeting, Hotel Boise, Boise, Idaho.

April 19-20 — **Alabama** Credit Union League annual meeting, Tutwiler Hotel, Birmingham, Alabama.

April 25-26-27 — **Pennsylvania** Credit Union League annual meeting, Benjamin Franklin Hotel, Philadelphia, Pennsylvania.

April 25-26-27 — **Ohio** Credit Union League annual meeting, Carter Hotel, Cleveland, Ohio.

April 26-27 — **South Dakota** Credit Union League annual meeting, Franklin Hotel, Deadwood, South Dakota.

The Credit Union Bridge



FAST AND ACCURATE, these Nationals have streamlined bookkeeping operations for this modern Credit Union by eliminating overtime and providing complete operational control.



T. C. WASSERMAN, treasurer, tells below how his National System quickly paid for itself.

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"With our former methods, we were a month behind in all of our records even with extra help and our regular bookkeepers working overtime," writes Mr. T. C. Wasserman, treasurer of this Toledo Credit Union. "Since we changed to a modern National System, our records are always up-to-date on a daily basis, without overtime or additional personnel.

"Ledger cards are posted quickly and accurately with our Nationals, and overdrawn accounts are now brought to our attention at once. With this increased efficiency and the

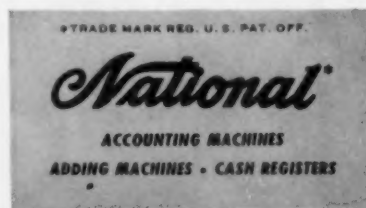
tremendous time saving over former methods, our posting girls are free to do other accounting work, thus saving us time and money.

"As a result of the complete control provided by our National System, we now have a smoother, more efficient business operation. All this adds up to a savings of more than \$7,600 a year, a return of 72% annually on our equipment investment. We think our Nationals are the most profitable investment we ever made."

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April 26-27—**Massachusetts** CUNA Association, Inc. annual meeting, Hotel Bancroft, Worcester, Massachusetts.

April 26-27—**Michigan** Credit Union League annual meeting, Sheraton-Cadillac Hotel, Detroit, Michigan.

April 26-27—**Minnesota** League of Credit Unions annual meeting, Kahler Hotel, Rochester, Minnesota.

April 26-27-28—**Hawaii** Credit Union League annual meeting, Island of Maui, Hawaii.

April 26-27-28—**Louisiana** Credit Union League annual meeting, Bentley Hotel, Alexandria, Louisiana.

May 24-25-26—**Iowa** Credit Union League annual meeting, Hotel Martin, Sioux City, Iowa.

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POSITIONS AVAILABLE AS FEDERAL CREDIT UNION EXAMINERS:—Openings as credit union examiner with the Bureau of Federal Credit Unions are available in several locations in the United States.

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WANTED: Field Representative for the Connecticut Credit Union League. Applications should be sent to L. R. Nixon, Managing Director, Connecticut Credit Union League, P.O. Box 81, Kensington, Connecticut, giving age, education, experience and salary expected.

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The Credit Union Bridge

QUICK AS A WINK (*almost*)



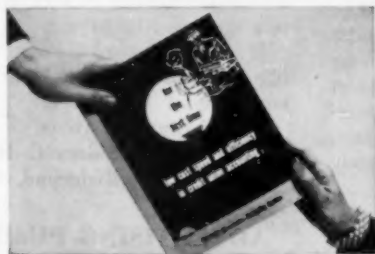
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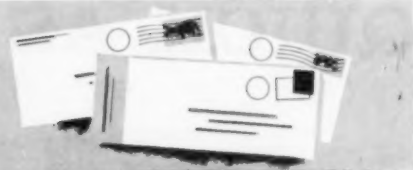
November, 1956



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in the MAIL



Is It Fair?

To the Editor:

Yesterday we laid to rest one of the men who helped organize our credit union in 1943 and worked in all branches of its activities during the past thirteen years to help it grow and prosper.

In May of 1955 this man bought a new car, but because of the credit union law he was not permitted to borrow from his own credit union (being a member of the board). He therefore borrowed from a bank. Had he had the loan with his credit union, CUNA Mutual insurance would have paid off the balance at this time on his loan. As it is, his widow owes the bank a sizeable amount since there was no life insurance on the loan. *Is it fair to discriminate by law?*

In another instance, the chairman of our supervisory committee had made a real estate loan from our credit union prior to being elected to the supervisory committee. The federal examiner last year wrote in his report, "This loan should be liquidated as soon as possible." Result: we lost the chairman of our supervisory committee. *Is this fair?*

Is it fair to force growing (and also grown) credit unions to lose good men, due to an unfair proviso in the law under which we operate? We have lost many men in the thirteen years we have been in existence, and also were deprived of the services of many potential board and committee members when we explained to them the limitations under which we operate. Is it fair to be thus hampered and stymied? The usual answer given to us is, "You can join your league's credit union for board and committee members." But such a group is usually far removed from us and is not always as simple as it sounds. Take a man who does not have a bank account—he would have to buy a money order or postal draft to send in his payments to the other credit union. It would be simpler for him to deal in his own home town or neighborhood. Is it fair?

Is it fair to suggest to the editor of THE BRIDGE and to the CUNA board that they ask the credit unions across the country what their opinions are on this subject?

Ben Shapiro
Philadelphia

In Defense of Meat

To the Editor:

I have received a copy of the new Digest; I must say I was astonished to say the least, if not alarmed, when I read various articles suggesting that credit union members and their families reduce the amount of meat they eat and further amazed when you suggested they substitute cereals such as whole wheat, rice, oatmeal or whole wheat bread for meat.

Gentlemen, do you realize that we have some three hundred credit unions among the meat packing industry, representing some 200,000 employees and their families? If these members take your advice seriously and consume less meat or substituted cereals as you suggest it would have a tremendous effect on members employed by the meat packing industry as well as the packers themselves, not to mention the reaction of management if this should be called to their attention. I shudder to think what would happen if we circulated copies of this pamphlet among our employees and management discovered what they contain. I am sure they would be extremely unhappy.

I will agree that the Digest has merit. The reference made to borrowing from credit unions to pay bills is very good, also some of the suggestions to families to work out a less expensive budget should be helpful. However, I suggest that in the future whoever is responsible for selecting material for the Digest give more consideration as to the effect it may have on some credit union groups.

As meat packing employees we might expect some competitor to suggest to the public they substitute their

product for meat, but one would hardly expect that CUNA who represents industries manufacturing various products to suggest that members purchase less of any one of them.

I offer this as constructive criticism and hope it may avoid repetition of this error and unfavorable reaction in the future. In the meantime, I hope the attention of management is not directed to this issue of the Digest.

Very truly yours,
L. Ingram
National Stockyards, Illinois

Detests ANUC

To the Editor:

Every few days I receive a communication addressed to the members of the Executive Committee of CUNA and to all managing directors. They are unsigned, but bear the letters ANUC.

I have no doubt these communications are being issued by a disgruntled employee of CUNA or a former employee. I trust they make no more impression on other directors than they do on me, and for the information of the author, I detest any individual who does not have the intestinal fortitude to sign his name to a document he writes.

If you have space for it, I should like you to publish this letter in the next issue of The Bridge.

Sincerely yours,
Sidney C. Day, Jr.
Richmond, Va.

ADVERTISING PUSHED

The Wisconsin League is sending a free copy of the new CUNA Supply manual on advertising, "Advertising Your Credit Union," to every affiliated credit union in the state.

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"PROTECTION"

What are the big expensive losses you might incur? The insurance you carry should give the full protection that's needed. Remember: for a small increase in the premium, you can frequently double the limits of your liability coverages, and protect yourself against ruinous losses.

"COST"

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